

THE PROCEDURAL CONSTRUCTION LENDING GUIDE

TABLE OF CONTENTS

	<u>PAGE #</u>
CONTENTS	2
PURPOSE	3
TERMS	3
PARTICIPATING BANK APPROVAL AND ELIGIBILITY	5
-- PARTICIPATING BANK APPROVAL	6
-- CONTRACTUAL RELATIONSHIP	8
-- MAINTAINING ELIGIBILITY	13
-- MORTGAGE LOAN FILES AND RECORDS	14
CONSTRUCTION LOAN ORIGINATION	17
-- BORROWER-DEVELOPER APPROVAL PROCEDURES	17
-- CREDIT ANALYSIS	17
-- COMMUNITY ASSOCIATIONS	19
CONSTRUCTION PROJECT REQUIREMENTS AND UNDERWRITING	20
-- LOAN UNDERWRITING	21
SINGLE FAMILY CONSTRUCTION	23
LOAN APPROVAL AND CLOSING	24
-- LOAN AGREEMENT	25
CONSTRUCTION LOAN SERVICING PROCEDURES	26
REFINANCE OF THE CONSTRUCTION CREDIT	27
-- HAZARD INSURANCE LOSS	29
REPORTING TO BUD BANK	29
CASH FLOW	31

EXHIBITS (Forms)

- I. Borrower - Developer Application
- II. Multifamily Project Application
- III. Single Family - One Unit - Application
- IV. Market Analysis

- V. Certification of Compliance with Competitive Bidding Requirements - Multifamily only.
- VI. Environmental Information Requirements
- VII. Multifamily Unit Release Worksheet

PURPOSE

The purpose of The Construction Lending Guide is to serve as a reference source to Participating Bank (PB) personnel. It details Bud Bank requirements for eligible Participating Banks and the construction loans to be pledged as collateral to Bud Bank, as well as the documentation, file maintenance, servicing and reporting responsibilities of the Participating Bank.

Bud Bank will keep Participating Banks informed of all policies, procedures and requirements changed through updates to the Guide.

It is the responsibility of the Participating Bank to maintain and update the Guides.

TERMS

Throughout this Guide, the terms defined below will be used:

Bud Bank, S.A. - (Bud Bank) - The onlender for funds under the USAID Housing Guaranty (HG) Program, the World Bank Program, and the European Bank for Reconstruction and Development (EBRD).

Bank - a legally authorized financial institution seeking approval to participate in these housing programs.

Participating Bank - (PB) - Any banking institution which the Bud Bank has approved to participate in Bud Bank programs; for example, HG World Bank and/or EBRD Programs.

Guide -

The Procedural Construction Lending Guide - (The Construction Guide) - Program requirements for construction lenders.

Construction Financing Agreement - Any agreement entered into by Bud Bank and a PB for the purpose of refinancing construction sub-loans.

Construction Sub-loan - (Construction Loan) - A loan made or proposed to be made by a PB to a developer and/or a household for a Construction Sub-project.

Construction Sub-project - (Project) - means a specific project to be carried out by a developer or a household utilizing the proceeds of a Construction Sub-loan.

Financing Agreement - Collectively Construction Financing Agreements and Mortgage Financing Agreements.

Housing Finance Project Office - (HFPO) - a department under the authority of MOSEC or any successor thereof which is responsible for the implementation of the HG and World Bank

Housing Programs.

Community Association Project - (Community Association) - A Cooperative, Condominium or Planned Unit Development or cluster housing project.

Beneficiary - recipient of the funds of the construction loan.

Official Government Statistics Wage Index, or its successor ,
- Wage Change Index in Six Branches of Economy - (The National Wage Index) - The index used in determining the amount of change in the beneficiary's payment.

Construction Loan Rate Index - The basic interest rate of the National Bank of Poland.

Margin - The difference between the interest rate charged the beneficiary and the basic interest rate of the National Bank of Poland, to be at least 3 percent.

Ministry of Spatial Economy and Construction - (MOSEC) - or any successor thereof.

Mortgage Fund - (Fund) - means the fund to be established within Bud Bank for the purpose of providing a stable source of long term funds for housing investments.

Zlotys - The currency of the country of Poland.

Cession - A clause assigning the rights to the proceeds of an insurance policy to the PB.

Lien - A legal interest in a property. The PB will have a first lien position in the properties financed with mortgage loan proceeds.

Subintabulat - A mortgage on a mortgage. The instrument to be used to secure the Bud Bank's interest in the mortgage loans pledged as collateral by the PB.

Subordination - A clause or document that permits a mortgage recorded at a later date to take priority over an existing or previous mortgage.

Veksul - A promissory note, in blank, where a borrower permits the lender (PB) obtain an immediate judgement to take ownership of the loan collateral.

PARTICIPATING BANK APPROVAL AND ELIGIBILITY

This section describes the procedure for becoming an approved PB under the Program explains the terms of the contractual relationship, discusses the on-going obligations a PB must meet to continue to be eligible for this Program, and defines a PB's general business obligations.

This Section consists of four parts:

1. PB Approval -- discusses the eligibility criteria and the material that should be submitted as part of a PB's application package.
2. Contractual Relationship -- discusses the terms of the Agreement; a PB's basic duties and responsibilities; the spread a PB must build into the construction loan rate in order to compensate the PB for its servicing activities; the imposition of penalty fees, and the formal sanctions may be used if a PB's performance is unsatisfactory.
3. Maintaining Eligibility -- discusses the requirements that must be met for a PB to maintain its eligibility and the business obligations that a PB must consider in the overall conduct of its construction loan operations. It also includes requirements for complying with applicable laws and government regulations, for avoiding conflicts of interest, and for establishing a quality control system.
4. Loan Files and Records -- discusses the ownership and custody of loan files and records, including the PB's responsibility for establishing and maintaining individual loan files and for maintaining accurate accounting and payment records.

PB APPROVAL

Banks who wish to do participate in the Program must be approved. Approval is based upon the bank's financial condition, its ability to originate and service construction loans funded under this Program, and other relevant factors pertaining to a bank's ability to do business under the Program. Once approved, the Bank, hereafter referred to as the Participating Bank (PB), is ready to enter into an Agreement which sets forth the contractual relationship between it and the Bud Bank. This agreement also sets forth the terms and conditions of the loan used by the PB to refund it for the construction loans originated and serviced according to the requirements of the Program.

Eligibility Criteria:

To become a PB, the Bank must:

- * not have more than a 10% ownership interest in the Bud Bank;
- * have or show evidence of plans to have as a principal business purpose the origination and servicing of construction loans;
- * demonstrate the ability to originate and service the types of loans eligible under this Program. This can be demonstrated in a variety of ways, such as, but not limited to, a proven record of experience, experience of critical staff members, or acceptable participation in Bud Bank training classes;
- * be properly licensed, or otherwise authorized to originate and service mortgages;
- * comply with all eligible banking standards required by the Government of Poland (GOP);
- * have an acceptable financial capability;
- * maintain quality control and management systems to evaluate and monitor the overall quality of the loan origination and servicing activities;
- * submit an independent certified audit for the most recent fiscal year;
- * have demonstrated an ability to establish a separate account for each loan utilizing Bud Bank funds; and
- * have its normal and usual procedures to be used under this Program approved by the Bud Bank.

Application Procedures:

Banks interested in obtaining approval and becoming PBs to originate and service construction loans should contact the Bud Bank. The Bud Bank will send:

- * An Application for Lender Approval;
- * An Authorization for Verification of Financial and Business Information; and
- * A draft Agreement and relevant Bud Bank policies, and procedures.

A bank will be pre-approved based upon the application review. A bank will not become a PB until it has entered into its first Agreement. However, if the PB is ready at the time of application to enter into an Agreement (including the loan terms and conditions), the Bud Bank will send two original Agreements and eliminate a pre-approval stage.

Review Fee:

The application review fee for new PBs is \$1 The application review fee is not refundable.

Application Package:

The Bank must complete the appropriate application forms in detail and have an authorized senior officer sign the application. The Bank must include the following information with its application.

1. A narrative describing the general scope and history the firm's operations;
2. A statement of the applicant's legal authority to originate and service construction loans;
3. A list of principal officers' names, titles, and areas of responsibility;
4. A list of ownership interests, identifying holders of a 5% or more interest in the applicant;
5. The Authorization for Verification of Financial and Business Information executed by all principal officers, partners, and owners of a 5% or more interest in the applicant;
6. A list of the companies for which the Bank currently services mortgages, if applicable;
7. Year-end financial statements for the most recent year and, if available, for the previous year, certified by an independent public accountant;
8. A brief description of procedures for handling construction loan origination and servicing;
9. Resumes of key personnel who oversee the origination, underwriting, and servicing functions;
10. A description of the Bank's quality control and management systems for construction loan origination and servicing activities;
11. The application review fee;
12. A letter signed by a Senior Officer accepting the contractual relationship terms contained in the draft Agreement. If the Bank is ready to enter into a final Agreement, the Bank should send the two original Agreements executed by a Senior Officer; and
13. If available, a sample loan file originated and serviced by the Bank. If the Bank has not originated any construction loans, then if available, a sample loan file for any other loan originated and serviced by the Bank.

Approval Process:

On receipt of the application package, the Bud Bank will analyze the Bank's ability to originate and service the types of construction

loans funded under the Program. On occasion, staff from the Bud Bank may visit the Bank's office and/or request meetings with Bank staff to complete this review.

Unless the Bank is ready to enter into an Agreement containing loan terms and conditions, the Bank will receive a letter of pre-approval and the Guide. This letter will state that the bank will be an approved PB when an actual Agreement is executed. The Bank will be required to sign a warranty that no changes have taken place between the date of pre-approval and the execution of the first Agreement that materially affect the material and information submitted for approval consideration.

If the Bank is ready upon approval to enter into an Agreement, the Bank will receive an executed original of the Agreement. The first executed Agreement will contain all contractual obligations for doing business and specific provisions relating to the first loan received by the PB under the Program. The provisions of this first Agreement will then be incorporated into all future Agreements so that the PB will remain obligated to comply with these provisions as long as the PB does business with the Bud Bank.

The Bank will be assigned a PB Number that should be used on all subsequent correspondence between the PB and the Bud Bank.

Once a Bank receives the pre-approval letter, it may begin to originate and service loans that will be refinanced by the Bud Bank. Bud Bank staff will assist and advise all PB's on implementation of the Program.

CONTRACTUAL RELATIONSHIP

A Bank becomes a PB upon the execution by both parties of the first Agreement which establishes the terms and conditions of the contractual relationship and the terms and conditions of the first loan. The continuation of that relationship depends on both parties honoring the mutual promises contained in this and future Agreements and on the PB satisfying the requirements contained in the Guide.

Construction Financing Agreement Contractual Relationship Provisions:

The first Agreement contains detailed provisions regarding the contractual relationship between the Bud Bank and the PB. These provisions are incorporated into all future Agreements. These provisions:

- * establish the lender as an approved PB;
- * provide the terms and conditions of the loan from the Bud Bank to the PB secured by eligible construction loans;
- * establish the lender as an approved servicer of loans accepted as security for the loan provided to the PB;
- * provide the terms and conditions for servicing; and
- * incorporate by reference the terms of the Guide.

The Guide specifically states the types of construction loans that are eligible under Program. All construction loans pledged as security under the Program must:

- * have a construction loan rate index that is the basic interest rate of the national Bank of Poland;

- * have a loan-to-value ratio of 75 percent or less;
- * have a margin or spread of at least 3 percent above the index rate.
- * be for construction commenced after January 1, 1992;
- * be to a borrower who meets all credit criteria established by the PB and the Bud Bank for these loans;
- * be for detached single family units of 150 square meters or less; and
- * be a borrower that is a Polish citizen,

Warranties:

The Agreement and Guides list specific warranties a lender makes to the Bud Bank. These contractual warranties are not limited to matters of which the lender had knowledge. The PB warrants that the loans meet all applicable requirements in the Guide and the Agreement.

The PB may be required to make other warranties (which are described in the following Section 2.12) before it pledges certain types of construction loans. All warranties apply when each construction loan or group of construction loans is pledged as security for a Loan from the Bud Bank and continues until these loans from the Bud Bank are completely paid back.

The PB's breach of a specific warranty entitles the Bud Bank to the applicable rights and remedies for that breach--irrespective of the provisions and conditions of any other warranty and regardless of whether or not the facts or circumstances giving rise to the breach would also give rise to a breach of any other warranty. These rights and remedies may be exercised separately for each breach of a specific warranty, concurrently, or successively with the exercise of any other rights and remedies described in the Guide or allowed by law or equity.

The PB must indemnify and hold the Bud Bank (and its successors and assigns) harmless against all losses, damages, judgments, and legal fees based on (or resulting from) a breach of its warranties or representations. If a warranty made by the PB--whether the warranty is one of the specific contractual warranties in the Agreement or this Guide or was otherwise made at our request-- is untrue, the PB may be required to pay back the related loan for which the construction loan is collateral. The Bud Bank may also enforce any other applicable rights and remedies, including but not limited to requiring the PB to substitute an eligible construction loan for one determined to be defective collateral.

Additional Warranties:

The PB must make the following warranties which apply to any construction loan it pledges as collateral for a Loan and Agreement. These warranties are in addition to those provided in the Agreement:

- * The PB has the staff and facilities to service the pledged loan in accordance with Bud Bank requirements.
- * When a construction loan is used to construction units in a community association form of housing (cooperative, condominium or Planned Unit Development), the PB warrants that the project

meets any requirements for such housing contained in the Guide, unless such requirement has been waived by the Bud Bank for the specific project.

* When the PB pledges a construction loan secured by a ground lease, it warrants:

- the lease is valid, in good standing, and conforms to all Guide requirements for ground leases
- all rents and other payments that have become due under the lease have been paid properly
- the lessee is not in default under any provision of the lease; and
- the lease does not provide for its forfeiture or termination for any reason except the non-payment of lease rents.

* When the PB is unable to include information related to recordation of the construction loan instrument lien request in its documentation to Bud Bank, the PB warrants that the only reason was the fact that the loan instrument lien request recordation data was unavailable at the time of the pledging of the mortgage to us and it will insert any information necessary at a later date.

* When the PB pledges a construction loan that has a minor title impediment that is not objected to by the Bud Bank, it warrants that the impediment does not materially affect the marketability of the property and agrees to indemnify the Bud Bank if there is a loss that can be directly attributed to the impediment.

Special PB Obligations:

Any commitment contracts, collateral agreements, or other applicable agreements and contractual documents in which the PB agrees to undertake special obligations in connection with acceptance of construction loans -- whether they relate to a transaction that has already been entered into or one that will be entered into in the future -- are considered to be a single, combined Agreement (and not a separate contract or agreement).

It is the intent of Bud Bank and the PB that acceptable construction loans will serve as collateral for loan funds advanced from the Bud Bank to the PB. Although the construction loans remain the property of the PB, it is the express intent of both parties, that the request by the PB that the Bud Bank accept the construction loans as collateral be interpreted as:

* a pledge by the PB to Bud Bank of all PB assets to secure a debt or other obligation of the PB; and

* a grant by the PB to the Bud Bank of a first priority perfected security interest in the mortgages.

Accordingly, for every transaction involving a Loan, the PB grants to the Bud Bank a security interest in all of the PB's right, title, and interest in and to each of the construction loans serving as collateral for such loan from Bud Bank, for the purpose of securing the PB's performance of all of its obligations under the transaction

and under any applicable commitment contracts, the Guide, or other agreements relating to the transaction, including the payment of principal, interest, and other sums due to Bud Bank.

Assignment of Servicing:

If the PB uses another approved PB to perform some of its servicing functions, it is still accountable for any actions taken (or not taken when required) by these servicing agents.

After a construction loan is pledged as collateral for a Loan, all subsequent assignments of servicing related to that loan must be approved by the Bud Bank before the servicing can be transferred.

Servicing Compensation:

As compensation for servicing, the PB must charge the borrowers of pledged mortgages a higher interest rate than the Bud Bank charges the PB on the loan to the PB. The PB is also permitted to retain late charges and fees charged for special services for the borrower as additional servicing income. For loans refunded with resources from the World Bank, the margin over the index must be at least 3 percent.

A PB (or the servicer of record) may not sell -- or otherwise assign, transfer, pledge or hypothecate -- its servicing compensation or any portion of it) or enter into any agreement that would result in the sale, assignment, transfer, pledge or hypothecation of that income.

PBs' Basic Duties and Responsibilities:

PBs perform their origination and servicing functions under the Agreement as an independent contractor, not as an agent or representative of Bud Bank. PBs are expected to use sound business judgment in all aspects of their operations to ensure that they have adequate staff and facilities to originate and service quality construction loans; to protect against fraud, misrepresentations, or negligence by any parties involved in the construction loan origination process; and to provide borrowers with assistance when it is requested.

PB's are responsible for underwriting decisions on construction loans pledged as collateral for a loan. They are responsible for ensuring that construction loans under the Bud Bank's programs meet our eligibility requirements. Pledged construction loans must conform to the requirements contained throughout this Guide. To assure that its staff is knowledgeable in all aspects of construction loan origination and servicing, the PB must have fully documented written procedures and implement measures -- such as periodic reviews of construction loan originations -- to determine that those procedures are being adhered to properly.

Changes in PB's Organization:

The PB must send the Bud Bank written notice of any contemplated major changes in its organization and any changes in its business address. The PB must include with its notice copies of any filings

with, or approvals from, its Governmental or other regulatory authority.

The PB must provided official notice of these major changes:

- * the resignation or termination of any senior management personnel;
- * any mergers, consolidations, or reorganizations;
- * any substantial changes in ownership;
- * any change in corporate name; or
- * a significant change in the PB's financial position.

Imposition of Penalty Fees

If the PB is not satisfactorily fulfilling these eligibility requirements or, failing to comply with the Agreement and Guide, and, therefore, in breach of the Agreement, a variety of remedies can be pursued either to correct a specific problem or to improve the PB's overall performance, in lieu of exercising the right to terminate the Agreement. Possible remedies include requiring the PB to indemnify the Bud Bank for a loss, requiring the PB to payoff the Loan, imposing a formal sanction against the PB, or imposing a fee.

The PB may be charged a fee, or have imposed upon it other remedies, for such failures as:

- * Late submission of annual financial statements. The PB must submit its annual financial statements to the Bud Bank within 30 days of their completion. If it does not do so, a penalty fee of Zl___ per month may be charged.
- * Unauthorized transfers of servicing. PBs must obtain prior approval of a change in corporate ownership that results in a transfer of servicing. If a PB fails to obtain prior approval of a proposed transfer -- or does not submit its request for approval at least 30 days in advance of the effective date for the transfer of servicing -- the PB may be charged a penalty fee and Bud Banmk may exercise any other available remedy.

Loan Payoff or Loan Substitution Requirements:

The PB may be required to repay the Loan due to its breach of any warranty, under the terms of any applicable Agreement, Contract or Guide provisions, or because of servicing deficiencies that have had a materially adverse effect on the property's value.

When repayment is required, the PB must pay the Bud Bank the funds that are due within 30 days of this demand. If the PB believes that this demand is not justified, the PB must provide the Bud Bank with a written explanation for its position within 30 days after demand for repayment is made. However, if the Bud Bank subsequently has to take legal action to enforce this repayment right, the PB will be liable for legal costs and related expenses.

Warranty Violations:

If a construction loan does not meet the Guide's standards because it was in violation of a warranty, the PB will be required to

either correct the violation, repay the portion of the Bud Bank loan to the PB collateralized by the relevant construction loan, or substitute another construction loan. The fact that a construction loan has passed this quality control review or any other review, however, does not in any way limit the right to require repayment if a warranty breach is discovered later.

Imposition of Sanctions:

The Agreement establishes the basic legal relationship between a PB and the Bud Bank. This relationship and the mutual responsibilities it includes are predicated on sound and ethical practices by both parties. If any act, omission, or failure of performance by the PB constitutes a breach of the Agreement, the Agreement and this relationship may be terminated for cause or other sanctions may be imposed. Generally, before such actions are taken, the PB will be given notice and have an opportunity to submit a written response explaining any mitigating circumstances or specific proposal to satisfy performance problems.

Suspension:

A PB may be suspended from participation in any Bud Bank program. The PB will be given specific actions that must be taken before the suspension can be lifted.

Termination for Cause:

The PB may be terminated for cause if the required improvement in its performance is not achieved during the period in which its participation is suspended. The PB may also be terminated without suspension. Reasons for termination include, but are not limited to failure to follow the requirements of the Guide, to meet financial requirements, or to meet any of the other eligibility requirements specified in the Agreement and Guide.

MAINTAINING ELIGIBILITY

This section concentrates on the PB's specific administrative responsibilities and business obligations that must be covered in the overall conduct of its lending operations.

Internal Audit and Quality Control Systems:

The lender must maintain adequate internal audit and management control systems to:

- * assure that the construction loans are originated and serviced in accordance with sound banking and accounting principles;
- * guard against dishonest, fraudulent, or negligent acts; and
- * guard against errors and omissions by officers, employees, or other authorized persons.

Every lender requesting approval must have a quality control system in place that verifies the existence and accuracy of legal documents, credit documentation, property appraisals, and underwriting decisions. The system should assure that construction loans conform to Bud Bank policy and procedures and be capable of evaluating and monitoring the overall quality of construction loan production.

Financial Statements and Reports:

The PB must financially capable of fulfilling its obligations under its loan from the Bud Bank. The PB must submit an audited financial statement to the Bud Bank within 30 days of its preparation.

A penalty fee for a late statement may be imposed. Some PBs may also be required to submit special reports related to the financial information about their operations. A PB's privileges may be suspended if these reports are not submitted within the timeframe required.

The financial statements must include:

- * a balance sheet;
- * an income statement;
- * a statement of retained earnings;
- * a statement of additional paid-in capital;
- * a statement of changes in financial position; and
- * all related explanatory notes.

Examination of Lending Operations:

The PB must certify that its lending operations have been examined by an independent accountant and provide the Bud Bank with a copy of the accountant's report if requested. The accountant's examination should include, but not limited to, a comparison of the PB's stated net worth and the net worth reflected in its audited financial statements to determine that they are in agreement (except as noted in the statements); and a comparison of the PB's internal trial balances for a given month and the accounting information the PB submitted to the Bud Bank for the same month to confirm that the PB is reporting the status of its accounts accurately.

Interest Rate and Payment Changes:

The PB must certify that it has made all of the required interest rate and/or monthly payment adjustments and that all adjustments were made in accordance with the construction loan terms.

Eligibility of Documents Custodians/Custodial Depositories

The PB must certify that any document custodian it uses to hold the construction loan instruments and documents satisfies all of the eligibility criteria and operating standards in this Guide.

Compliance with Applicable Laws:

The PB is responsible for being in compliance with applicable regulations that apply to any of its business practices. The PB must

also ensure that properties securing pledged loans comply with local zoning and other regulations.

LOAN FILES AND RECORDS

The PB is responsible for establishing and maintaining individual construction loan files and for maintaining accurate accounting and borrower payment records. The Bud Bank has the right to examine at any reasonable time, any and all records that pertain to the collateral and all accounting reports associated with those construction loans and borrower remittances, and any other reports and documentation that are considered to be necessary to assure that the PB is in compliance with Bud Bank requirements.

Ownership of Loan Files and Records

All loan papers and documents, that are reasonably required to originate and subsequently service a construction loan properly will be the property of the PB. However, the Bud Bank has a right to access them at any time upon written request to the PB. In the event of default under the provisions of this Guide, Agreement(s) or any other contractual agreements between the PB and the Bud Bank, the Bud Bank will have the right to retrieve from the PB and either maintain or assign the custody of such documents to a third party custodian.

Custody of Loan Documents

The document custodian must be acceptable to the Bud Bank.

Access to Records:

If requested in writing, the PB must deliver all construction loan records and documents to the Bud Bank or its designee. Each construction loan must be clearly identified. If the PB has microfilmed or condensed any of the records, it must reproduce them at its own expense. If the PB fails to provide the records or give a reasonable explanation or any evidence showing that the requirement was satisfied, the Bud Bank can take any action that is authorized under the Agreement or the Guide for the PB's breach of Bud Bank requirements.

Document Custodian Eligibility:

In order to be a document custodian, an institution must:

- * Be a financial institution meeting all applicable laws.
- * Be equipped with secure, fireproof storage facilities, and have adequate controls on access to them to assure the safety and security of the documents.
- * Utilize in its custodian function employees who are knowledgeable in the handling of loan documents and of the functions of a loan document custodian.

Types of Records:

Loan files and records include the individual construction loan files, permanent construction loan account records, and accounting system reports. The PB must establish an individual loan file when it originates a construction loan. The accounts and records relating to pledged construction loans must be maintained in accordance with sound and generally accepted accounting principles and in such a manner as will permit Bud Bank examination and auditing at any time.

The PB must also retain records showing the flow of funds from the construction loans to the Bud Bank and make these records available when requested.

Specifically, Bud Bank's examination and audit will consist of:

- * monitoring all monthly accounting reports;
- * conducting periodic procedural reviews during visits to the servicer's office or the documents custodian's place of business;
- * conducting, from time to time, in-depth audits of the internal records and operating procedures -- including, but not limited to, the examination of financial records and underwriting standards; and
- * performing spot-check underwriting reviews of construction loans on a random sample basis.

Individual Loan Files:

The PB must establish an individual file for each pledged construction loan. Among other things, the file must include:

- * A checklist of all documents contained in the file;
- * Originals of the loan instruments and documents;
- * Copies of the pertinent underwriting documents; and
- * Any documents obtained when the construction loan was originated if they might be required to support title claims at some future date (for example, title evidence or survey).

Loan Payment Records:

The PB servicing the construction loan must also maintain permanent account records for each pledged loan it services. The PB's accounting system must be able to produce detailed information on:

- * All funding disbursements and any borrower payments that affect the construction loan balance;
- * The current loan balance; and
- * The amount and timing of recapitalized interest.

Underwriting Performance Reviews:

A sample of pledged construction loans will be reviewed to ensure that they meet all underwriting and eligibility requirements.

Review Process:

The review will encompass a complete review of the credit, legal, and property documents and possibly reverification of this information.

Required Documentation:

The files submitted for review should include all documentation needed to support the PB's underwriting decision. These documents should demonstrate the borrower's ability to repay the loan, his willingness to repay the loan, and evidence that the property has sufficient value to support the loan.

BORROWER-DEVELOPER APPROVAL PROCEDURES

The objective of the borrowers-developer review and approval process is to present a "credit" analysis format and an "experience, or background" analysis format. The credit analysis is to determine the financial experience and capability of the borrower-developers, while the background analysis is to determine the capability to successfully commence and complete a project similar to the one being proposed to the lender.

CREDIT ANALYSIS

This credit analysis procedure applies to the borrower-developer and any guarantors of the loan to the borrower-developer. Credit analysis is a basic building block to sound project underwriting. The lender must have a thorough and complete understanding of the borrower's and guarantor's financial situation and condition. The lender must review all available documents, references, and have at least, as a minimum, three interviews with the applicant(s). Prior to any credit approval, the lender must have a complete grasp of the total financial condition i.e., cash flow, liquidity position net worth plus all assets and liabilities and their impact if any, on the proposed project. The lender must meet as often as necessary with the applicant to be able to determine the applicant(s) financial management capability.

Exhibit I, attached, is a suggested credit application form which should be presented to all applicants at the initial visit and should be entirely completed before the second interview. The key factors to focus on for the credit analysis are as follows:

* Both corporate and personal financial statements. These include balance sheets, income statements, verifications, and sources and uses of funds. In the future, personal income tax returns will be required. Currently, business and corporate tax receipts (certifications) can be supplied supporting the business history and ownership of any real estate assets, including any recent appraisals. Recognizing that many private businesses have only recently been established, the credit and financial history will be sketchy. This means, however, that the lender must meet with and visit the applicant's business location and past projects to verify credit and financial statements.

* Both corporate and personal bank references. The lender must require bank references and must verify each corporate and personal banking experience. The lender must also check with the "Special Register of Union of Banks" to determine if the borrower-developer or any guarantors have been recorded for adverse credit history. The lender must receive written verification of cash deposits with other banks.

* Details of any other loans or lines of credit . This information should include:

Purpose (construction loan)

- Amount of credit and origination date
- Outstanding unpaid balance and monthly (quarterly) payment
- Maturity date and any collateral or guarantors securing the credit
- Creditor name, and contact person (account representative)
- Trade references - customers, clients, suppliers, and sub-contractors. The borrower-developer must submit contacts to verify past projects or other work related experience, as well as construction material suppliers and any sub-contractors who have performed work for the borrower-developer. It is especially important for the lender to verify from clients and customers that the applicant successfully and in a timely manner completes projects as promised. Also, with suppliers and sub-contractors, verify that the applicant pays invoices and bills in a timely manner. These checks are important to demonstrate management capability to build-out the project and financial capability to manage cash flow and costs.
- Copies of any agreement relating to joint ventures or other business activities, including any corporate or personal guarantees the applicants have entered into. The lender must review all such documents to determine whether there exist contingent liabilities for the borrower-developer and any guarantors. The lender must make an evaluation of whether, and how likely, any of these contingent liabilities could become direct liabilities. The lender must also request any information on any lawsuits or other legal actions the applicant(s) may be involved with. The lender will be required to visit the appropriate court districts to verify whether any personal or corporate legal actions are in the court(s) process.
- Corporate cash flow projections and pro-formas. This is an extremely important part of the application (Exhibit I). This projection will show where the company stands financially at the moment of application and the effect of the proposed project on the corporations future cash and profit position. This projection should be done monthly over the proposed construction loan period. It is necessary for the lender to verify all income and cost items on the projection. The lender should be certain that the cost projections are comparable and in line with construction industry experience. Also, income projections must be substantiated by signed sales agreements and evidence of deposits by the future home or flat owners. Also, a schedule of payments by the future owners to the borrower-developer must be submitted.
- Know the borrower-developer. The lender representative

must be certain that the borrower-developer has the work experience to undertake the proposed construction project and also the financial management capability to control the sources and uses of funds. The lender must thoroughly understand the borrower-developers financial position, both personal and corporate.

- Credit Analysis Factors . the lender is performing the credit analysis should pay particularly close attention to the following key factors:
 - o Liquidity - cash, short-term securities anything that could be readily turned to cash in case of any financial emergency. These assets should not be encumbered in any way.
 - o Cash Flow . There should be sufficient cash flow to meet all obligations of the corporation with adequate excess cash to meet short-term unexpected cash short-falls. The lender must verify cash sources to determine the reliability of the projections. Also, the lender must verify ownership of all assets listed and ascertain whether there are any liens or mortgages encumbering listed assets. Any recent appraisals must be reviewed for reasonableness of value.
 - o Net Worth - which consists of assets less liabilities. Particular emphasis must be placed by the lender to be certain that realistic values have been placed on the corporate and personal assets.
 - o Contingent Liabilities . The lender must be prepared to monitor on an ongoing basis the status of any contingent liabilities (i.e., guarantees, joint venture commitments, legal actions). The lender will require quarterly statements from the applicant(s) on any change in the status of these contingent liabilities. Failure by the borrower-developer to furnish this material on schedule would be cause to temporarily halt funding of the loan.

Community Associations

The PB will require the following to determine the eligibility of a multifamily project proposed by a community association group:

- o A description of the project;
- o An analysis of the projects operating budget including annual income and expenses;
- o The overall development plan, when the project is being completed in phases;
- o A full description of project facilities and amenities;
- o If the project is a renovation, an architect or engineers report covering:
 - Quality of construction;
 - Compliance with code requirements;
 - Adequacy of mechanical systems;

- Condition of major project components - roofs, elevators, heating, and cooling systems;
- Foundation design and drainage;
- Adequate insulation.

In addition, the PB must receive documentation showing that the community association is properly incorporated, registered, with a member approved constitution and elected officers. Also, the PB must receive the minutes of the membership/Board of Directors Meeting authorizing the seeking of the construction loan. The PO counsel, or outside counsel, must verify the approved legal status of the community association, and the legality of the constitution and structure of the community association.

The PB underwriter must carefully review the proposed operating budget to ascertain that it is consistent with the proposed project and provides for adequate working capital to fund operating expenses and the establishment of a reserve fund for the common area components. The financial statement of the community association must contain adequate funds to service current debt and maintain financial integrity of the association.

The developers plan must clearly show completion of all common areas prior to occupancy, and the developer must have a reasonable plan for change of control from the developer to the association.

The association must demonstrate a plan for the on-going management of the completed project. The association and the developer must have projected, for 5 years, reasonable association/project expenses. The developer should not have unreasonable fees or charges for project amenities.

The project must not contain more than 15% of the total area in commercial activities, and these activities should supply services - dry cleaning, convenience markets - to the residents.

CONSTRUCTION PROJECT REQUIREMENTS AND UNDERWRITING.

The Application for a Multifamily Construction Project is attached as Exhibit II. Also attached is Exhibit III, which is an application for a single family (one unit) construction project. The maximum size of eligible units is 150 square meters for single family and 100 square meters for multifamily units.

As part of the multifamily application, the following must be included:

- Architectural drawings clearly showing the nature and type of the proposed construction project. These drawings must show front, side, and rear elevations of multifamily, row houses, including duplex and quadraplex.
- Construction schedule including any construction management contracts and identification of all sub-contractors.
- Certification of compliance with competitive bidding requirements - three competitive bids and reasons for

- selection (criteria used to select winning bids).
- Market analysis and evidence of at least 60% pre-sales with signed sales agreements and evidence of at least 10% deposit (Exhibit IV).
- Evidence of land ownership or perpetual ground lease. If the land is owned, certification that all taxes on the land have been paid.
- Evidence of existence of infrastructure - roads, water, sewer, and utilities or specific plans and schedule for completion of infrastructure.
- Environmental analysis certification. This may be, evidenced by the required building permits from the local authorities. Such permits will also evidence compliance with local zoning.
- For renovation projects - plan for providing alternate housing for displaced tenants.
- Description of access to community services such as schools, shopping, public transport, and hospitals.
- Required attachments -
 - o A map showing the location of housing project to the nearest city/town center.
 - o Site plan showing access roads and infrastructure to the project location.
 - o Land survey description.
 - o Evidence of application for hazard, fire, flood, and vandalism insurance for the project.
 - o Independent appraisal (valuation) completed by an appraiser approved by MOSEC and by the BUD Bank.
 - o Detailed set of plans and specifications for the project (2 copies). The lender's engineer/architect will perform a site inspection to review all relevant documents with the borrower-developer.

LOAN UNDERWRITING

All loans over \$1 million US must receive prior approval of the BUD Bank and in certain cases, the World Bank. The first three construction loans from any participating bank must be pre-approved by BUD Bank.

The loan underwriting will involve three separate stages - economic analysis, document review, and feasibility analysis.

Economic analysis involves a review of the itemized anticipated cost and total cash flow requirements. The underwriter will prepare a "spread sheet" allocating all direct and indirect costs according to the construction schedule submitted. The cost estimates submitted must be verified by comparison with other projects of similar structure. All sources of funds, developer equity, purchases payments and loan proceeds must also be allocated on the spread sheet to verify the developers projections. The spread sheet will cover monthly the total time period of the proposed loan. Also, there must

be a review of the independent outside appraisal of value of the project.

The document review will include:

- o Verification of all pre-sales contracts and evidence of deposit.
- o Review of the three competitive bids for construction services and supplies and materials (Exhibit V), plus a review of the selection criteria employed by the developer in his/her selection process.
- o Review of land purchase contract or long-term ground lease. If the property is owned, certification that all taxes are paid must be in evidence. If the land is "owned" by the developer, the lender-participating bank must be in a first lien position on the land and of course, the buildings to be constructed on the land. If there is a lien already in existence on the land, it must be subordinated to the construction lender's lien.
- o Review building permits to verify site location, development plan, zoning approval, environmental statement (Exhibit VI), and actual permission to commence building.
- o Review the technical economic criteria (ZTE) for approvals from:
 - local utilities, water, sewer, electric, and telephones.
 - any special approvals required i.e., Ministry of Landscape Preservation or Antiquities and Monuments, fire department.
 - approved as to building technology to be utilized by the developer.

The underwriter will prepare a written feasibility analysis where the underwriter evaluates the project, the developer's capability, and all salient aspects of the project financials and current market conditions in sufficient detail to prepare a recommendation to senior management regarding the granting of this particularly credit. The underwriter will incorporate in this feasibility analysis the report of the lender's engineer/architect site inspection and review of the technical aspects of the proposed project. the feasibility analysis will specifically address the following:

- o Borrower-developer's credit experience
- o Presence of any guarantors
- o Applicant resume and experience
- o Review of corporate financials
- o Results of economic analysis - is the project profitable and economically viable?
- o Results of review of all documents, projections, and pro-formas, site inspections and reference verifications.
- o Source of permanent financing or other "takeout commitment" to ensure repayment of construction loan.
- o Developer has at least 25% equity into the project and

that the proposed loan - 75% of project-cost - is sufficient to complete the project.

The underwriter will make a clear and concise recommendation as to the terms and conditions under which the proposed credit would be granted, or if the underwriter believes the loan should not be granted, those conditions which cause him/her to recommend that the loan not be granted.

At this point the loan underwriter will have completed a borrower-developer loan application file which will contain:

- Company history, resumes of principals and corporate and personal financial statements.
- Results of credit and reference investigations.
- Summary of past projects, site inspections, etc.
- All financial documentation relating to the project and the company of the developer.
- Outside appraisal.
- All documents relating to the local authority and utilities approvals.
- Any recommendations regarding the need for additional guarantors.
- Recommendations as to whether the loan interest will be paid currently or capitalized or partially paid. currently and partially capitalized. This should include economic impact on the release price per unit of capitalizing any interest.

Single Family Construction

Individuals and families are eligible to borrow construction credits for the purposes of building a new residence, completing construction on a dwelling where construction had not commenced before January 1, 1992, or making substantial repairs - 25% or greater of the appraised value - to an existing dwelling. The finished dwelling must serve as the principal residence of the borrowers and the applicant(s) must show evidence of either a permanent mortgage commitment - takeout - or other sources of funds to repay the construction loan.

The amount of credit extended cannot exceed 75% of the lesser of total construction costs or the outside appraisal value. The outside appraisal must be performed by an appraiser approved by the lender. The lender will make available a pre-approved list of real estate appraisers. The interest rate on construction credits will be the rate established by the lender-participating bank and is adjusted periodically to reflect changes in the base interest rate charged by the National Bank of Poland. The maximum period of the construction credit is 18 months for a single family construction loan. The single family construction credit application, Exhibit III must be completed and submitted together with the following documentation:

- o Architectural drawings showing the front, side, and rear views of the proposed house.
- o Survey description of the land
- o Evidence of land ownership or perpetual ground lease

- o Contractor cost estimate as submitted by contractor or actual contract to erect the house, including project budget
- o Site plan showing location, road access, and presence of all infrastructure to the site of the proposed project.
- o Evidence of application for hazard insurance.
- o Evidence that there are no prior liens on the subject property, including certification of tax payment if land is owned.
- o Detailed plans and specifications for the actual construction.
- o A projected cash flow showing schedule of disbursements and borrower's equity investment prior to used lender's funds.
- o Building permit from local authority.

These items will enable the participating bank (PB) to underwrite the proposed single family construction project. The borrower credit underwriting requires all of the credit information and documentation previously listed. If the borrower is self-employed or the principal owner of a company, all the information and documentation previously listed, for corporate underwriting must be submitted as part of the credit review.

If the borrower (applicant) is salaried, then evidence of stable income from employer must be submitted. The underwriter of the PB will undertake a full credit review of the borrower prior to a review of the project itself. The project underwriting will be simplified with respect to the underwriting procedure for multifamily credits. However, the PB underwriter must verify the reasonableness of the contractor's bid with respect to all significant cash items - materials and wages-as well as verification of all documents relating to the property as listed above.

With a single family construction credit the PB underwriter does not have to develop the full three step - economic document and feasibility analysis required by a multifamily credit. For single family, the underwriter will verify all documents including borrower credit, and with the outside appraisal of value, make a recommendation that the credit should be extended as requested, or with any modification that the underwriter deems appropriate.

Loan Approval and Closing

Any loan over \$1 million US must be approved by the World Bank. The first three multifamily construction loans from any PB must be approved by the BUD Bank prior to PB issuing a firm commitment to fund the loan. The PB should fully, and completely underwrite the loan and issue a conditional approval if the credit meets all underwriting criteria. The PB then contacts the BUD Bank to arrange for BUD Bank and World Bank review, if necessary, When approved, the PB can then issue a commitment to the developer-borrower.

The initial (first) single family construction credit must receive prior approval from the BUD Bank for all PBs. Subsequently, for PBs demonstrating experience and capability in underwriting single

family construction credits, the prior approval of the BUD Bank will not be required.

Once all the required approvals of the PB, BUD Bank and/ or World Bank are obtained, the PB can issue the commitment for the construction credit to the applicants. Once the commitment has been accepted and signed by the applicants the loan closing procedure can be implemented. The PB's attorney will prepare the loan agreement which will contain the usual statements about the interest on the credit, repayment terms, maturity, draw schedules, documentation requirements and site inspection schedules for draw releases, and loan fees.

The PB should collect an "origination" fee of 1 - 1-1/2 percent of the total loan amount at the loan closing. These funds should come from the borrower's own sources, and not represent any funding of the loan. No funds or proceeds of the loan will be advanced until the lender has obtained directly, or the borrower has supplied to the lender, evidence of a first lien-mortgage on the land and the building(s) to be erected on the land. The lender - PB must be certain that its security is a first lien property registered in the land book.

Also, the PB must have the borrower sign, in blank, a "Veksul". The Veksul will be accompanied by a declaration illustrating how the blanks in the Veksul will be determined in the situation where this instrument is utilized. Also, the PB must be certain that the borrower has signed the loan agreement and the Veksul "corporately" and "personally". If there are any guarantors in addition to the borrower, these guarantors should also be required to sign "corporately" as well as "personally". If the guarantors are pledging specific assets, an outside appraisal of value of these assets must be supplied to the bank. If the guarantors are limiting their pledge to certain assets, this must be clearly defined in the separate agreement with each guarantor. If the particular assets, upon liquidation, do not yield sufficient funds to repay the loan or meet the guarantee level (amount), the PB should reserve the right to require that other assets of the guarantor be utilized to complete and fulfill the guarantee amount.

It is suggested that the loan agreement have provision for capitalizing interest if this is in the best interest of the borrower and the PB. Prepayment fees are not recommended, as more rapid repayment of a construction credit is probably to the PB's advantage.

The construction loan term should not exceed 24 months, and the project should not have commenced construction prior to January 1, 1992. Any large project requiring a greater time period for construction, should be done in phases. This phasing of a project, particularly single family, rowhouses, and duplex and quadraplex, enables the PB to exercise better control over the project. The phasing may not be feasible with multifamily construction, in which case a larger pre-sales requirement, with deposits of 75-80% of all units should be required by the PB at the time of construction credit application.

Loan Agreement

The PB Loan Agreement must contain the following items. This is

not a complete list, as local and bank counsel would have to review the list for completeness.

- Names: Borrowers, Guarantors
- Name of Project, type, and loan amount
- Property location address, jurisdiction
- Loan terms, interest rate, maturity repayment schedule, purpose of loan
- Loan fees due PB
- Schedule of disbursements, incorporating dates for receipt of invoices by PB and schedule for PB site inspection
- Personal and corporate guarantees of the borrowers. Identify and net worth of each guarantor, if any, and clear statement of guarantors liability for the repayment of the credit, and any exclusions of assets by guarantors.
- Detailed description of use of credit
- Disbursements will not occur until the PB's mortgage lien is registered, invoices validated, and site inspection.
- Identification of contractor, sub-contractor, architect
- Land survey and recorded plat
- Evidence of hazard insurance
- Legal opinion with respect to land ownership or lease, coop-documentd, if applicable
- Building permit, approvals from utilities referenced.
- Clause permitting modification of lien if agreed to by all parties, including guarantors
- Borrower cannot obtain any other loan or credit while this loan is outstanding
- Material and adverse conditions clause whereby borrower must advise PB of any change in corporate or personal financial condition
- Clause permitting PB to advance hazard insurance funds if builder does not renew required insurance. Failure of builder to obtain insurance may be cause of default
- PB will disburse funds directly to contractor and sub-contractor and material suppliers.
- List of events of default
- Clause committing builder to "deed-in-lieu" whereby, in the event of default which is not cured, the builder will turn the project over to the PB with any legal action.

Construction Loan Servicing Procedures

Once the loan agreements have been signed including the "Veksul", no funds can be released until the first lien has been recorded and submitted to the PB, as well as the Hazard Insurance Policy. The PB loan file will include all of the borrower and the project documents submitted at application. The loan servicer at the PB will prepare the loan file, with a check list on the front of the loan folder, listing all the documents in the file. If any of the documents are

removed, the person borrowing initials by the document name on the checklist until the item is returned.

The loan file will be in the possession of the servicing person, but the site inspector employed by the bank should have easy access. The site inspector should review the contents of the loan file prior to his initial draw request inspection. This initial visit after the closing of the loan will actually be the second or third visit to the project in the case of multifamily construction. Prior to the PB's releasing any funds under the construction loan agreement, the PB's site inspector must visit the project, and with invoices in hand for the work performed, verify that all material and supplies billed for are in fact, in place on the project. The inspector must file a report with the loan servicing person indicating the results of the inspection and concurring with the requested funding or reducing the amount for incomplete work. These inspection reports will be retained in the loan file. It is recommended that a site inspection be conducted each month whether a draw request for funding has been made or not. The loan file must be kept current and up to date by the PB loan servicer staff as the BUD Bank will periodically request to review the loan file. The BUD Bank will also periodically, unannounced, conduct site inspections of all construction projects refinanced for PB's with its own inspector.

With the construction loans having a maturity at the maximum of 24 months, the loan servicer must be certain that the following documents are updated and currently valuable in the loan file:

- annual corporate financial statement
- annual personal financial statement of the borrower and any guarantors
- annual certification of tax payments if the land is owned, also for corporate and personal taxes
- annual renewal of hazard insurance policy
- all pre-sales agreements, including those units sold subsequent to the construction loan closing
- developer must submit quarterly sources and uses of funds statements showing how equity, purchases, partial payments and loan proceeds are being utilized. Loan servicer and site inspector must review this report prior to each funding of a draw request. No funding request will be granted by the PB if this quarterly source and uses report has not been properly and timely filed.

The final 10% of the construction loan is withheld by the PB until the following have been verified:

- o local authorities have issued occupancy permit
- o verification that there are no other liens than that of the PB lender
- o purchaser of unit has obtained a mortgage which, with purchaser's downpayment, at least equals the release price calculated by the PB servicer
- o developer is current with interest payments on the construction loan to the PB if construction loan

- interest is not being capitalized
- o purchaser has indicated that a final inspection has been conducted and the purchaser is satisfied with the unit, and there are no holdbacks.

The final 10% of the construction loan will be released through the settlement attorney representing the purchasers of the unit.

Interest on the construction loan can be paid monthly, quarterly or capitalized and repaid, with principal, when the finished units are purchased on owner-occupants.

To calculate the interest payment, compute 30 days interest on the outstanding principal balance, utilizing the current interest rate in effect for the construction loan. Capitalized interest must be entered in the Book of Land and Mortgages as a priority lien every two years in those entries previously reserved when the mortgage was first registered.

If the borrower-developer chooses to pay interest monthly or quarterly, on the construction loan, but becomes delinquent more than 30 days and is unable to make the proper payment within 30 days of the due date, the interest is then capitalized for the balance of the loan period. The addition of interest on interest will motivate the borrower-developer to make current payment, if possible.

The PB should collect any applicable late charges on payments received after the due date. The PB should initiate contact with a delinquent borrower-developer as follows:

- * Telephone contact within 5 days of due date;
- * Written notification within 15 days of the due date, requesting payment within 5 days;
- * By the 20th day after the due date, unless a payment is received, or a plan for payment as been agreed upon by the PB, notice is sent that all interest is now being capitalized for the balance of the loan period.

With interest being capitalized, the borrower-developer should complete the project. If, for any reason, progress on the project development ceases and the project is abandoned, the PB must invoke all legal remedies to take possession of the project and proceed to arrange for completion.

Refinance of the Construction Credit

The BUD Bank has access to two construction credit refinance programs. The first is the USAID Housing Guarantee program which will refinance 100% of the loan amount the PB has agreed to lend using the Underwriting criteria in this lending guide. The second program is sponsored in the World Bank and will refinance 80% of the loan extended by the PB using the underwriting criteria in this construction lending guide. The construction project must have commenced after January 1, 1992.

The first three multifamily construction loans made by a PB with intentions to refinance with BUD Bank, must have received pre-approval by BUD Bank. The PB must initially underwrite the borrower and the project strictly according to the guidelines in this lending guide. If the PB finds that the loan meets all criteria, the PB issues a conditional approval to the borrower-developer and requests a pre-

approval review by the BUD Bank. The BUD Bank will review the entire loan file and if BUD Bank concurs with the PB recommendation, BUD Bank will issue an agreement to refinance the PB loan at either 80% or 100% depending on which program BUD Bank has available. BUD Bank will take only 30 days to complete its review and make a decision on the loan. The BUD Bank will inform the PB of the interest rate BUD Bank will require on the refinance. The PB will add a margin to reflect the cost of servicing the loan. BUD Bank will also collect a fee of 1/2 of 1 percent of the amount refinanced. The PB will have collected 1 - 1 1/2 percent of the amount of the original loan. The PB then retains the balance of the origination fee and the "speed" or "margin" between the interest collected from the borrower and the interest paid to BUD Bank.

Once BUD Bank issues approval to refinance the loan, PB issues a commitment to the borrower-developer and upon acceptance, closes the loan. The initial funding takes place when the PB mortgage lien upon the land and anticipated construction has been recorded and delivered to the PB. The BUD Bank's collateral for the refinance of the PB loan is a lien placed on the mortgage now secured by PB on the land and the construction to be erected. The BUD Bank will not fund the refinance until the lien on the mortgage has been properly recorded and submitted, by the PB to BUD Bank. The costs associated with this registration must be borne by PB or passed on to the borrower-developer. At this point BUD Bank is prepared to refinance the fundings PB will make to the developer subject to proper documentation.

Also, the PB's inspector must verify the "work in place" by a site inspection and review of work and material invoices. The PB then informs BUD Bank that a funding will take place, and forwards to the BUD Bank a copy of the inspection report with copies of the invoices. The inspection report should include endorsement of the invoices, photographs of the work in progress, and a brief narrative by the inspector on the status of the project i.e., is the project on schedule, quality workmanship, good management, etc.

Within 5 days of receipt of this report, BUD Bank must take exception or fund 80% or 100% if the proposed advance. The PB should schedule the funding to occur concurrently with receipt of funds from BUD Bank. If the loan agreement with the borrower-developer has pre-set funding dates, the PB must require that invoices be submitted 10 days before the funding date so that the PB inspector has 5 days for the site visit and report, and BUD Bank has 5 days for review and confirmation prior to funding date.

This procedure is repeated for each funding advance to the borrower-developer. If the borrower is paying interest monthly on the construction loan, then monthly interest payments must be remitted to BUD Bank on the refinance funding. If interest is being capitalized by the PB, the interest due BUD Bank can also be capitalized.

BUD Bank will periodically conduct its own site inspections with its staff. Also BUD Bank will periodically visit PB to preview the loan file and over all servicing of the loan. Therefore, it is important for the PB to keep all loan documents current and maintain a good record of loan servicing. The key aspects of this loan servicing procedures are:

- o maintaining accurate records on the status of taxes, leases or any other potential lien against the property
- o ensure that adequate hazard insurance coverage is in place, and properly renewed
- o the site inspection reports are accurate and timely with all valid invoices endorsed, and photographs showing progress at the project
- o maintain accurate records of all interest calculations, for current or capitalized interest
- o The PB must be aware of any other liens placed on the PB security (Property) and any legal actions against the developer

Hazard Insurance Loss

The amount of hazard insurance coverage should be in the amount of the total project cost. This protects the developer's equity and the PB's loan. The insurance policy should be in the loan file, and the policy should have a "mortgage" or "session" clause naming the beneficiaries the developer and the PB, with the name of the PB followed by "its successors and/or assigns". The mortgage clause makes losses under the insurance policy payable jointly to the developer and the PB ensuring that the funds are used to replace the damaged project.

When a property is damaged, the PB must closely monitor the following:

- file proof of loss with insurer
- help the builder obtain bids to repair the property
- review and approve the final plans for the repairs
- monitor the repairs to see they conform with regional plans and specifications
- disburse funds upon evidence of completion of work
- assure that no other liens are placed on the property.

The PB must also be certain that the insurance carrier providing the hazard insurance is a qualified firm with sufficient financial resources to make any loss payment. The PB should request the insurance carrier (provider) to present financial statements at the time the developer seeks the hazard insurance coverage and to evidence membership in Insurance Guaranty Fund. Also, the PB must advance funds for the insurance coverage if the builder does not. The PB will add such funds to the balance of the loan. However, if the builder is unable to pay for the hazard insurance, the PB should verify that the loan disbursements are being properly used in the construction project. All other steps should be reaffirmed to protect the PB's security if the builder is experiencing financial difficulties.

REPORTING TO BUD BANK

While BUD Bank has not completed drafting the procedures for the loan refinance, the following are reasonable assumptions:

- o Interest may be paid currently to PB and thus to BUD Bank or capitalized by PB and thus capitalized to BUD Bank.
- o BUD Bank will probably charge the National Bank of Poland refinance rate, and the PB will add a margin to the borrower-developer
- o BUD Bank will refinance either 100% or 80% of the PB construction loan
- o The maximum maturity of a multifamily construction loan will be 24 months, for a single family unit, 18 months.
- o The BUD Bank will be repaid as the loan repays to the PB

The PB must have an accounting system able to produce the following reports for BUD Bank:

- o amount, date of any interest payment
- o if interest is capitalized, monthly summary of such interest calculations
- o date, amount, and breakdown of each funding disbursement by PB to developer
- o current outstanding principal balance of loan, summarized by preceding months of loan.

The PB will, monthly, send an interest statement to the borrower whether the interest is paid currently or capitalized. If the interest is paid currently, payment must be received by the first of the month. If payment is not received, the collection procedures in the loan servicing guide should be immediately instituted. When interest funds are received by the PB the interest payment to BUD Bank should be made within 24 hours.

In the case of a loan payoff- entirety or partially- in the form of release prices for units purchased by owner-occupant, payment should be made to BUD Bank within 48 hours.

The PB will prepare a monthly report to BUD Bank. this report will have the following for each construction loan refinanced by BUD Bank:

- o PB loan number
- o BUD Bank loan number
- o Developer's name and the project name and location
- o Amount committed by PB
- o Amount refinanced by BUD Bank (80 or 100%)
- o Date of loan closing by PB
- o Date of first disbursement by PB to builder
- o Date of subsequent disbursements and amounts
- o Outstanding balance of loan at report date
- o Interest paid - if currently paid or capitalized
- o Amount refinanced by BUD Bank
- o Amount of interest paid BUD Bank, if any

- o Capitalized interest to BUD Bank, if any
- o Any loan repayment by builder to PB
- o The balance of funds refinanced by BUD Bank less any repayments by PB
- o Number of units planned in project
- o Number of units commenced
- o Actual number and percent of pre-sales with 10 percent downpayments

- o Actual number of units released through purchase by owner-occupant

CASH FLOW

Calculation of Loan Interest Payments from PB to Bud Bank

Calculation of Loan Interest Payments from PB to Bud Bank. Interest will be calculated in arrears based on actual days per year and month, on the amount disbursed, at the rate described above.

The interest rate charged the PB each month will be based on The National Bank of Poland Rate plus a margin (spread) of no less than 300 basis points. If The National Bank of Poland rate changes during the course of the month, the interest that the PB will be charged will also change the first of the next month.

Remittance to Bud Bank

Remittance to Bud Bank is made on an Actual/Actual basis, that is whenever payments are received from the builder. Since interest payments may not begin until construction is complete, remittances are not due to the Bud Bank until completion of construction unless the builder makes payments to the PB prior to completion. If the builder does make payments prior to completion, the PB will remit the participation percentage of the payment to Bud Bank. For those construction loans pledged against Housing Guaranty Resources the repayment will be equivalent to 100% less the servicing fee. The repayment for pledged construction loans using World Bank resources will be equal to 80% or less (the actual percentage agreed to in the Sub-loan Agreement) minus the servicing fee.

For those construction loans having interest remitted monthly, the PB must remit the funds to the Bud Bank by wire transfer within five business days from the first of the month.

REMITTING PAYOFFS TO BUD BANK - MULTIFAMILY - INCLUDING COMMUNITY ASSOCIATIONS -

After the construction is complete, the construction draw technician will complete the worksheet "Pro-Rating Interest Payments to Determine Final Unit Cost for Bud Bank" (Exhibit VII). A similar worksheet is prepared on all construction loans to determine the amount required from the builder to release a unit. Step 1 on the builder's worksheet is determined at the inception of the construction loan. It represents the required principal release for a group of like units prior to interest capitalization. Steps 2, 3, 4, and 5 are used to compute the pro rate share of interest for the various types of units. the total interest reflected in step 4 is the sum of the capitalized interest, tracked by the system through the end of the month that construction was finalized or a payoff is requested, whichever occurs first. The individual unit payoffs are determined by dividing the number of units into the aggregate principal and interest for each applicable type. The payoff technician will use this worksheet to determine the required payoff due from the builder on each unit. The final unit payoff will be 110% of Step 7.

There are only two differences in the worksheet prepared for Bud Bank versus the one provided to the builder. First, Step 1 is equal to 80% (or the participation portion of the loan borrowed from Bud Bank) of the builder worksheet. Second, the amount of interest is equal to the amount of interest capitalized on the loan from Bud Bank to the PB. After completing the worksheet, the unit payoff due Bud Bank is equal to the 110% of step 7 or 80% of the payoff amount received from the builder, whichever is greater. The PB must submit both worksheets to Bud Bank within five days of payoff.

The PB must remit payoff on units to Bud Bank with two days receipt of payoff from the builder.

If units are paid off prior to completion of all construction, the "Pro-Rating Interest Payments to Determine Final Cost" must be recomputed each time the PB receives a unit payoff.

Single-Family Payoff

Upon receipt of paid in full funds on a single family construction loan, the PB must submit complete funds necessary to repay Bud Bank in full including all capitalized interest.

The PB must payoff its loan with Bud Bank within five days after receipt of payoff of any corresponding construction loan.

INSERT EXHIBIT I - BORROWER DEVELOPER APPLICATION

**HOUSING FINANCE PROJECT OF THE
GOVERNMENT OF POLAND AND WORLD BANK**

APPLICATION FOR CONSTRUCTION CREDIT (MULTIFAMILY)

This form must be completed by all applicants for new construction, completion or substantial renovation of multifamily housing projects, or land improvement projects. Multifamily projects include flats, apartment buildings, rowhouses, duplexes, semi-detached units, rooftop additions, and complexes or estates of single family houses. Land improvement projects must result in the provision of serviced land for the construction of multifamily projects or single family houses. To be eligible for construction credits, all projects must comply with the financial, design, technical, legal, and competitive bidding requirements of the Housing Finance Project.

This application should be submitted first to your local bank. Both the bank and the Housing Finance Project must approve all credit applications for multifamily projects.

As part of this application, you must submit copies of the following documents:

1. Cost analysis for housing projects, including breakdown of cost of construction per square meter
2. Cash Flow Projection for Housing Project including budget and calculation of loan proceeds and interest payments.
3. Worksheet: Pro-rating interest payments to determine final cost per unit and release price per unit
4. Worksheet: Ratio Analysis for Housing Projects
5. Attachment: Market Analysis including pre-sales
6. Attachment: Compliance with competitive bidding requirements (3 competitive bids).
7. A map showing the location of the housing project to the city's center
8. A site plan showing the general design of the proposed project in an urban scale
9. A site plan illustrating road access and infrastructure, including water, sewage gas, heating, and electricity
10. Architectural drawings showing the general design of the proposed project
11. Survey description of land
12. Evidence of land ownership or perpetual ground lease
13. For renovation projects, plan to relocate the alternative housing displaced tenants.

APPLICATION FOR CONSTRUCTION CREDITS (MULTIFAMILY)

Project Name: _____
Town/Location: _____
Population of Town: _____

Applicant: _____
Address: _____

Telephone: _____

Signature
Name: _____
Position: _____
Date: _____

Contact person for more information:

Name: _____
Position: _____
Telephone: P: _____ D: _____

Local Bank Reference:

Name: _____
Contact: _____
Person: _____
Address: _____

Telephone: _____

1. Information on the Applicant
The applicant is a (check one):

_____	Private company or partnership	
	Date established:	_____
	Principal business:	_____
_____	Public enterprise	
	Date established:	_____
	Principal business:	_____
_____	Cooperative	
	Date established:	_____
	Purpose:	_____
_____	Gmina	
	Population:	_____

_____	Other government or public institution	
	Describe:	_____
	Principal business:	_____
	% Polish interest:	_____
_____	Foundation and other non-profit organization	
_____	Date established:	_____
_____	Other:	_____

2. General Project Description

This application is for:	_____	New construction
	_____	Project completion
	_____	Substantial renovation
	_____	Land improvement

With all applications for substantial renovation, a plan must be submitted for providing alternative housing for residents who will be displaced from the units to be renovated.

How many units will be constructed?	_____
How many buildings will be constructed?	_____
On the average, how many floors will each building have?	_____

How far from the center of the nearest city is the project located?	_____ km
---	----------

Describe any other important physical or design characteristics of your project:

For applications for credit to finish construction project cannot have been started prior to January 1, 1992:

When did construction start?	_____
When was construction stopped?	_____
Why was construction stopped?	_____
What percentage of construction do you estimate has already been completed?	_____ %
How was the construction funded?	_____
Describe what has already been constructed:	

3. Information on Land Ownership

The land for the project is currently:	
_____	Privately owned (fee simple)
_____	Property of the gmina
_____	Owned by a cooperative (fee simple)
_____	Leased by a cooperative from the gmina
_____	Other: _____

The land for the project will be:

_____	Sold to the applicant or investor (fee
simple)	
_____	Leased to the applicant or investor
_____	Maintained in its current status
_____	Other: _____

If the land is currently owned:

When was it purchased and at what cost? _____

The land was purchased from: _____

_____	Private owner
_____	Gmina
_____	Other: _____

Did the purchaser acquire the land with own resources, and at market price at the time of purchase, or was the purchase subsidized by the government?

_____	Purchased at full price with its own
resources	
_____	Subsidized by the government
_____	Other: _____

What was the purchase price per square meter? _____

What is your estimate of the current market price per square meter? _____

Attach to this application:

1. Legal description of the land
2. Evidence of land ownership or perpetual ground lease
3. If the land is not currently owned or leased by the applicants, describe the current status of the land, and provide a detailed explanation of the terms and conditions under which the land will be made available for the construction of the proposed project.
4. Construction Management
Describe how the construction of the project will be managed. Specifically, answer the following questions:
 - o Who will have overall responsibility for managing the project's development?
 - o Will a general contractor be hired?
 - o Will a construction manager be hired?
 - o Have competitive bids from sub-contractors be solicited?

Provide information on the background and experience of the project's managers, general contractor and subcontractors. If they are not yet identified, explain what steps will be taken to ensure sound management of the project. (Attach an additional page if necessary).

Definition of Terms:

General Contractor: The General Contractor enters into a contract with the owner (investor) for the construction of the project, and takes full responsibility for its completion. The General Contractor may enter into subcontracts with others to perform specific tasks or phases of the project.

Subcontractor: A Subcontractor enters into a contract with the General Contractor to perform a specific task or complete specific phase of the project.

Construction Manager: On large and complex projects, the owner (investor) may hire a Construction Manager to supervise all construction activities, including the negotiation of all contracts for construction work. The Construction Manager acts as an agent for the owner. The Construction Manager's basic services include coordination and oversight of all construction activities, budgeting and cost control, review and approval of all subcontracts, and the analysis and approval of all increases in costs and changes in the project's plan. The Construction Manager approves or denies of all requests for payment, inspects filed work, and generally expedites matters while serving as a liaison between the owner and architect.

5. Schedule:
Supply a detailed construction schedule indicating a proposed date to start construction and how long it will take to finish construction. Provide a detailed description of each stage of construction. (Attach an additional page, if necessary).
6. Information on Construction:
Describe what type of construction technology will be used (e.g., masonry, large panel, wood or gypsum), and identify any special problems with the construction site. (Attach an additional page if necessary).
7. Opinion of the Local Authority
Have you contacted the local authority about this project?
Have you received any official opinion about this project?
If yes, please attach a copy of the opinion. What is the status of obtaining a building permit for the project from the local authority?
8. Off-site Primary Infrastructure Requirements
Provide information on the project's infrastructure requirements. Specifically answer the following questions:
 - o If the project site is not currently served by gas, water, and electricity have you contacted the utility companies about this project, and have they guaranteed that adequate services will be provided to the new units?
 - o What type of sewage treatment will be provided?

- o What kind of heating system do you propose for the project?
 - o If new primary infrastructure is required, what is the anticipated cost for all road and land improvements?
9. Community Services
Describe the accessibility of the project to community services, including public transportation, schools, hospitals, and shopping.
10. Environmental Impact
Describe the impact of the project on the local environment. Specifically answer the following questions:
- o Is the project site considered an ecologically sensitive area by local authorities?
 - o Is there any potential hazard or environmental danger to the local water supply, rivers, or wetland from the construction of this project?
 - o Will the project have any significant impact on traffic congestion or parking problems? If yes, how will these problems be resolved?
 - o What is the K factor for the external walls? Will the project incorporate any special energy conservation techniques?

11. Financing Requirements

Total Project Costs

_____	Construction	_____ % of total
_____	Land (cost, value or lease fees)	_____ % of total
_____	Infrastructure and land improvements	_____ % of total
_____	Documentation Expenses	_____ % of total
_____	Architectural, budgeting planning, marketing	_____ % of total
_____	TOTAL	100%

Instructions:

- o Land
Include on this line one of the following: (1) the proposed purchase price of the land, if the land is not already owned by an investor in the project; (2) The price paid for the land when acquired by the applicant; or (3) fees for a perpetual ground lease from the date that a construction contract is awarded through the completion of construction.
- o Infrastructure
Include all the costs of required infrastructure.

- o Documentation Expenses
Include expenses for legal fees, building permits, and document preparation.

Sources of Project Financing

_____	Equity	_____	% of total
_____	Deposits/prepayments	_____	% of total
_____	Construction loan	_____	% of total
_____	Investment from sales	_____	% of total
_____	Other sources	_____	% of total
_____	TOTAL		100%

Instructions:

- o Equity
Identify below the sources of equity in the project.

_____	Market value of land, only if the land is already owned by the investor and does not need to be purchased.
_____	Cash contribution by the investor.
_____	Deposits, only if the deposits will be used at the beginning of the project for and before any construction credits are advanced.
_____	Project preparation expenses incurred by the applicant prior to the start of construction.
_____	Total equity.

- o Deposits/Prepayments
Include on this line deposits or prepayments which will be invested during the construction period, but not as equity at the beginning of construction.
- o Construction Loan
Include on this line the amount of construction credits for which you are applying with this application.
- o Investment from Sales
Include on this line any additional investment you plan to make in the project from the deposits received on the sale of units during the construction period.
- o Other funds
Include on this line any other funds you expect to

receive for this project, and describe them here:

**HOUSING FINANCE PROJECT OF THE
GOVERNMENT OF POLAND AND WORLD BANK**

APPLICATION FOR CONSTRUCTION CREDIT (SINGLE FAMILY) - INSTRUCTIONS

This form must be completed by all applicants for credits for new construction, completion or substantial renovation of single family houses. This application should be submitted to your local bank. Additional information may be required by your bank.

As a part of this application, you must submit the following documents:

1. A site plan showing the general design of the proposed project which illustrates road access and infrastructure, including water, sewage, gas, heating, and electricity;
2. Architectural drawings in sufficient detail for the proposed construction to be analyzed;
3. Contract or cost estimate from contractor or accepted by contractor;
4. Survey Description of the Land;
5. Evidence of Land Ownership or Perpetual Ground Lease;
6. Evidence of all income claimed by applicant.
7. Evidence that all land and other taxes have been paid.

General Description of Single Family Construction Credits

Individuals and families are eligible to borrow construction credits for the purposes of constructing a new house or completing construction of an unfinished residence of the borrower. The maximum amount of credit which can be borrowed is 36 times the household's current monthly income from all sources which can be verified by the local bank. The amount of the credit can not exceed 75% of the total construction costs, and all construction must be completed within 18 months. The interest rate on construction credits is the current rate established by the local bank, and it is adjusted periodically to reflect changes in the prevailing interest rate. During the construction period, borrowers have the option of repaying all or part of the interest when due or recapitalizing the accrued interest subject to the local bank's practices.

At the end of 18 months or the completion of construction, whichever comes first, the construction credit may be converted to a long-term mortgage loan. The amount of the mortgage loan can not exceed 36 times the borrower's current household income. If the outstanding balance on the construction loan exceeds 36 times household income, the difference must be repaid to the bank. Starting at the time that the construction credit is converted to a long-term loan, and until the capital and accumulated interest are repaid in full, borrowers are required to pay 25% of total household income, as adjusted, based on changes in the national wage index. The land and house must be assigned to the local bank as collateral, with the right to foreclose on the property in the event of non-payment.

APPLICATION FOR CONSTRUCTION CREDIT (SINGLE-FAMILY)

Name of Applicant: _____

Current Address: _____

Telephone: _____

I am applying for credit for: (check one)

_____ Construction of a new house

_____ Completion of a house

_____ Substantial repair or renovation of a house

Location and/or address of the construction site:

I am applying for credit in the amount of: _____

My current total monthly household income is: _____

For new construction:

What are the total construction costs? _____

How much do you plan to invest in the project,
not including credits? _____

For Completion of a house:

When did you start construction? _____

What percentage of construction do you estimate
is already completed? _____ %

What is your estimate of the value of the
unfinished house today? Include the value
of the land ONLY if you own the land in
fee simple. _____

For substantial repairs:

What is the total cost of the repairs or
renovation? _____

What is your estimate of the value of the
house today? _____

Include the value of land ONLY if you own the
land in fee simple. _____

I certify that all information contained in this application and all
attachments are true and correct to the best of my knowledge.

I understand that any purposeful misrepresentation on my part will
disqualify me for credit.

Signature of Applicant

Date

EXHIBIT IV

(Attachment to Application for Construction Credit [Multifamily])

Market Analysis

Project name: _____
Town/location: _____
Applicant: _____

All projects must be able to demonstrate to the local bank's satisfaction that there will be sufficient demand to sell the finished housing units or serviced lots at their estimated sales prices. In addition, the following pre-selling requirements must be met prior to the bank's authorizing the first credit advance:

- o For multifamily housing projects, the borrower must pre-sell 60% of the units to be built. Buyers of the units must sign a purchase contract and make a 10% deposit of the estimated sales price, and all buyers must be pre-qualified for mortgage credits. In cases where the buyers already own the land, the land may substitute for a cash deposit. A marketing plan for selling all the units must be submitted with the credit application.
- o For land improvement projects which will result in serviced lots suitable for single-family houses, semi-detached houses and rowhouses, the borrower must pre-sell 60% of the lots. Buyers of the lots must sign a purchase contract and make a 10% deposit of the estimated sales price. A marketing plan for selling all the lots must be submitted with the credit application.

This attachment to the application for Construction Credit (Multifamily) must be submitted with the application. An application for construction credit will not be approved until a market analysis is submitted and approved. Attach additional pages if necessary.

I certify that all information contained in this application and all attachments are true and correct, to the best of my knowledge. I understand that any purposeful misrepresentation on my part will disqualify me for credit.

Signature of Applicant

Date

INSERT EXHIBIT V - CERTIFICATION OF COMPLIANCE WITH COMPETITIVE
BIDDING REQUIREMENTS - MULTIFAMILY ONLY

**ENVIRONMENTAL INFORMATION REQUIREMENTS
For Houses/Housing Developments**

Please have a technical person (engineer, architect, etc.) complete the following information separately for each development. Submit the form to the Bank for comments prior to selection of site.

General Information

1. Person Completing Form: Date:
2. Business Name:
3. Address:

4. Other addresses (leased or owned buildings or property):

5. Telephone: Fax:
6. Business Manager:
7. Identify individuals consulted as part of this audit process, including their affiliation, titles, and subject matter discussed:
8. Total number of buildings:
Total floor area of buildings:
9. List industries and products manufactured or used on site in the past.
10. Trace the history of the site prior to the present occupant. Include dates, occupants, uses.

Owner/Operator	Business Use	Dates	Environmental Information
----------------	--------------	-------	---------------------------

Examples:

ABC	Restaurant	1965	Fuel oil tank (250 liters) in basement
-----	------------	------	---

11. Provide a map showing the site's location.
12. Identify any businesses or industry in the immediate vicinity that may use chemicals or hazardous materials.
13. What is the age of any building(s) on site?
14. Is there any cultural or historical significance attached to existing buildings? Are the buildings subject to any protection order?
Will the new buildings fit in with their surroundings?
15. How far is the nearest fire department? What is their response time to the development?
16. Are there any environmental concerns in the area?
 - air pollution
 - drinking water
 - solid waste disposal
 - soil or ground water contamination

Building Design/Contents/Equipment

17. Identify any fuel oil tanks on the site or that are known to have been on the site. Name type of tank, pollution controls, volume, and contents. Are there any signs of spills near the tank?
18. Identify where any asbestos has been used in the building,

particularly in insulation for pipes and boilers, flooring, ceiling tiles. Describe age and condition. Identify any special national or local requirements for disposal of asbestos containing materials.

19. Identify insulation material in the planned development. What type of insulation is planned and what efficiency will it have?
20. What is the power source for the development?
21. Identify any electrical transformers on the site. Who is the owner? Have they been tested for polychlorinated biphenyls (PCBs)?
22. Will the development be connected to a municipal wastewater system (sewage)?
23. What is the source of drinking water for the development? Describe the quality of drinking water.

Management and Operations

24. Have permits been obtained for construction? Do these include any environmental permits? Describe.
25. How much solid waste will be produced?
26. How will solid waste be disposed of?
27. Will the development have an evacuation plan?
28. How will complaints be handled (noise, odor, etc.)?

INSERT EXHIBIT VII - MULTIFAMILY UNIT RELEASE WORKSHEET